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# SPECIAL ISSUES: REPORT ON THE EFFECTS OF STRUCTURAL ADJUSTMENT PROGRAMMES AND THE DEBT BURDEN ON THE WORK PROGRAMMES OF NATIONAL AND INTERNATIONAL STATISTICAL SERVICES

## Effects of structural adjustment programmes and debt burden on the work programmes of national and international statistical services

## Report of the Secretary-General

SUMMARY

The Statistical Commission, at its twenty-fifth session, recommended that the Statistical Office of the United Nations Secretariat prepare for its consideration at the present session a report on the effects of structural adjustment and the debt burden on the work programmes of national and international statistical services. The present report was prepared in response to that recommendation.

Section I of the report presents summary information on structural adjustment and the debt crisis (paras. 3-8). Section II assesses available information on the effect of structural adjustment and the debt crisis on the programmes of national statistical offices in developing countries during the 1980s (paras. 9-19). Section III presents an initial examination of the statistical implications of the International Development Strategy for the Fourth United Nations Development Decade (paras. 20-29). Points for discussion are presented in paragraph 30.

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## INTRODUCTION

1. The Statistical Commission, at its twenty-fifth session, recommended that the Statistical Office of the United Nations Secretariat prepare for consideration at its twenty-sixth session a paper on the effects of structural adjustment programmes and debt burden on the work programmes of national and international statistical services.

2. The Commission suggested that the paper related also to the International Development Strategy for the Fourth United Nations Development Decade. In line with the decision of the Statistical Commission's Working Group on International Statistical Programmes and Co-ordination, 1/ and the document consists of three sections. The first discusses a number of general questions on structural adjustment, the debt crisis and the nature of foreign debt. It relies heavily on studies and reports of the World Bank and the International Monetary Fund (IMF) as well as various United Nations studies. 2/ The second section provides an assessment of available information on the impact on statistical offices in developing countries of structural adjustment and the debt burden in terms of the short- and long-term negative and positive effects on ongoing and planned statistical programmes. The third section outlines some of the implications the International Development Strategy for the Fourth United Nations Development Decade, adopted by the General Assembly in December 1990, in terms of data and statistical systems needed to monitor and assess national and international progress.

## I. STRUCTURAL ADJUSTMENT AND THE DEBT CRISIS

3. Economic policy in a very large number of developing countries in the 1980s came to be dominated by the need to adjust to serious balance-of-payments problems. This was at the origin of the World Bank's involvement in lending for balance-of-payments support, which was until then the preserve of the International Monetary Fund (IMF). Policy-based lending (as distinct from traditional project lending) was launched by the World Bank in 1980, and at that time "lending for structural adjustment" meant lending in support of a programme to cope with a balance-of-payments crisis. At the start, "adjustment programmes" were not interpreted as much more than policies aiming at balance of payments and price stability and were expected to be short-lived. However, the notion of an "adjustment programme" expanded with the duration and extension of payments difficulties.

4. The international debt problem was and continues to be at the centre of adjustment lending. By 1984 30 developing countries with external payments difficulties had already received adjustment loans from the World Bank. As experience with this new type of lending accumulated through the 1980s and the complexities and peculiarities of the adjustment process in the decade became apparent in a large number of country experiences, "structural adjustment programmes" associated to the lending conditions of the World Bank and the IMF came to encompass a far broader range of policy areas than balance of payments and price

stability. Not only was the time-frame of adjustment programmes extended but concerns with the sustainability of adjustment programmes and with long-term growth and development were incorporated into the discussions and negotiations over the design of country-specific adjustment programmes.

5. Moreover, with the return to a longer-term policy perspective, the social dimensions of adjustment came to occupy an important space in the discussions on the design of adjustment programmes. The debate on adjustment within the United Nations system undoubtedly contributed to this. At least conceptually, the evaluation of the impact on poverty and vulnerable groups in society is now part of adjustment lending. This has a special bearing on the work of statistical offices.

6. With the international debt problem far from resolved and continued balance-of-payments difficulties in developing countries, the search for viable country-specific adjustment programmes will continue. One critical element of adjustment is how much room to manoeuver Governments have in maintaining their fiscal deficits. It was typical of the 1980s that in a very large number of developing countries, Governments had less and less room to manoeuver in financing their deficits - whether through changes in taxation, inflation, or domestic and external borrowing.

7. Government expenditures as a share of gross domestic product declined almost everywhere in indebted developing countries in the 1980s. Faced with the need to reduce expenditures, Governments concentrated cuts more heavily on public investment, affecting, in particular, investments in infrastructure and communications. But current expenditures were not immune to the trend. Social services, including health and education, declined. Statistical offices were also subject to cuts.

8. The impact of budget cuts on unemployment or on the provision of health care, education, housing, safe water supply and sanitation affects the well-being of the populations involved. Other elements of an adjustment programme besides the government budget will affect households in different ways and intensities. Such differential impact is the focus of a large number of studies and reports on the social costs of adjustment. The programme called Social Dimensions of Adjustment (SDA), launched a few years ago by the World Bank and co-sponsored by the United Nations Development Programme (UNDP) and the African Development Bank, has the explicit aim of obtaining the kind of information that could be the basis for including in the design of adjustment programmes the objective of protecting the poorer and the most vulnerable groups in society from the adverse impact of such programmes. This aim is related in part to policy analysis and project preparation. In addition, a substantial emphasis has been put on obtaining an adequate data base to assess the social impact of adjustment programmes - in particular, its effect on poverty and vulnerability - and to identify target groups to be protected (see para. 16 below).

## II. THE IMPACT OF STRUCTURAL ADJUSTMENT AND OF EXTERNAL DEBT ON THE WORK OF STATISTICAL ORGANIZATIONS

9. In order to evaluate the impact of structural adjustment and external debt on the work of national and international statistical offices, letters were sent to several statistical organizations and individuals. Most of the international organizations gave a very brief reply, or they had no contribution to make. Substantial responses were submitted by one international and two regional organizations. Of the 23 national statistical offices of developing countries and the four individual statistical experts who were addressed, only three countries replied. Thus the present assessment must be somewhat general in nature rather than a systematic analysis of country experiences. At the same time, the poor response may suggest that national statistical offices do not see a strong connection between structural adjustment and their present difficulties.

10. To diagnose this matter accurately, data should be available both on the real expenditures of national statistical offices over time and on the kind of work, including evaluation studies and methodological research, they carried out. In order to obtain such data, it would have been necessary to carry out a study in a large number of developing countries since, in the first place, the funds allocated to statistical activities are not published regularly and, secondly, there are few statistical offices which formulate detailed plans and programmes in which the impact of financial restrictions resulting from real reductions in fiscal budgets can be detected in the course of time.

11. However, it is likely that, even if a full-scale study had been carried out, only limited impacts would have been identified. Based on informal consultations with some national statistical office personnel, it may be hypothesized that the effect of structural adjustment on the regular output of statistical offices is minimal in the short run. The immediate impact has been the deterioration in the real salaries of the statistical office staff and civil servants in general. Faced with the consequent lowering of living standards, statistical office staff, along with other civil servants, try to make up by taking on second jobs or seeking alternative means to supplement their income. This can be expected to lead to a lowering of their productivity in their main job. The quality of their work probably suffers immediately, but this may be hard to notice over the short run. Restrictions on government expenditures for items such as petrol and supplies may also adversely affect quality since supervisors may be hampered in performing their jobs. Following the decline in quality, the timeliness of publications may also suffer. Complicating the picture may be the offsetting trend in the cost and productivity of data processing equipment, because the second half of the 1980s was the period when microcomputers were introduced into most developing country statistical offices.

12. The overall impact of the debt crisis and adjustment programmes on statistical services may therefore be long term, and thus it would appear that sufficient time has not elapsed for the full impact to be seen. This indeed is in line with the experience of a number of developed countries which experienced a reduction in public expenditures for statistical programmes. The impacts tended to operate first through a slow erosion of data quality and to be cumulative in nature.

13. In the Latin American and Caribbean region, some more specific examples of impacts were identified by the Economic Commission for Latin America and the Caribbean (ECLAC). For instance, it was noted that the fields in statistics which have been most affected have been data collection on the primary and tertiary production sectors, with the exception of statistics in the financial area. These problems appeared to be related to the failure to carry out economic censuses and surveys and related methodological work on a regular basis. Public sector accounting for purposes of financial administration has also regressed considerably. This happened because of real budget reductions at the national level (as alluded to in sect. I) and to the lack of sufficient offsetting international technical co-operation support for such statistics. Beyond the contraction of fiscal budgets referred to above and some old institutional problems, there is a marked failure of government record offices to obtain the data relating to public expenditure accounts that is essential in putting together an appropriate system of accounts for use in financial administration. At the same time, it should be noted that the IMF and the World Bank do provide a wide variety of technical assistance in the fields of public sector, government finance and balance-of-payments statistics.

14. In the high priority area of national accounting, ECLAC has pointed out that the methodological work required to move from System of National Accounts (SNA) Rev.2 to SNA Rev.3 has been carried out in only six countries of the nearly 40 member countries of the region.

15. In addition, in spite of the progress achieved in the establishment of household surveys in some cases and in their systematization in others, social development statistics have been seriously affected by the crisis. This has been especially true in connection with the education and health sectors, vital statistics, social security and other areas where, owing to a reduction in administrative personnel and other financial constraints, important publications such as statistical yearbooks were even discontinued. Also, analytical comparison of the decline in education and health of many developing countries, particularly in Africa, could not be undertaken because of unavailability of funds from the public sector to undertake the necessary surveys.

16. With regard to the repercussions of the crisis on the production of statistics vis-à-vis the demand for them, a paradoxical situation is taking shape. On the one hand, there has been a general decline in the quality and quantity of data usually produced; on the other, because of the crisis, Governments and policy makers have become avid for information that will help them make decisions, with higher attention to the immediate situation and the possibility of financial aid. This encouraged national statistical offices to channel resources to tasks of a short-term nature. As a result, the data in several areas of statistics have become available much sooner than would otherwise have been the case. There are cases where innovative approaches to data collection have been attempted. For example, customs registers in some countries were changed mainly to obtain up-to-date economic statistics relating to foreign trade, to help project the external debt burden. Moreover, as a result of the concern with the human development in adjustment programmes, developing countries are also being confronted with the demand, partly emanating from international organizations, to

gather additional statistics that could permit an assessment of the social consequences of the adjustment programmes. A fuller description of progress in meeting these needs is provided in a report prepared by the World Bank. 3/

17. Unfortunately, these developments sometimes appear to be at the expense of permanent surveys of production and services and of employment and household surveys. In many developing countries, industrial and agricultural censuses have also suffered in recent times, with censuses cancelled or scaled back considerably (see, for example, the information on the 1983 World Programme of Industrial Statistics, presented in a United Nations document). 4/ Benchmark data on agricultural and industrial activity collected in these censuses are required in order to provide the framework for surveys used to prepare estimates of current production and related forecasts.

18. The paradox looks more serious when account is taken of a matter of paramount importance. It must be borne in mind that the production of timely and reliable data requires qualified personnel. Although most developing countries have an increased pool of qualified entry-level staff as compared to earlier years, many of those who join statistical offices soon after leaving their training institutes or universities are attracted by other public bodies or by private enterprise after a relatively short period of practical application. As a result many national statistical offices are hampered by the lack of experienced staff. The reasons for the loss of such staff, which sets up a situation of rapid rotation of highly qualified personnel, are well known: lower real salaries than in other public and private institutions for the performance of similar tasks; and less professional prestige due to being associated with institutions which carry out mainly support tasks.

19. If national statistical offices are to be able to respond adequately to the demand for more timely, realiable and relevant statistics, they will have to continue to give attention to developing appropriate statistical systems and capabilities and to carrying out appropriate methodological and evaluation studies. For this to take place, national producers and users of statistics will need to become more aware of their respective needs. In addition, the statistical services of the international agencies will have to address these issues in their own work in support of national statistical development.

## III. INTERNATIONAL DEVELOPMENT STRATEGY FOR THE FOURTH UNITED NATIONS DEVELOPMENT DECADE: STATISTICAL IMPLICATIONS

20. The General Assembly of the United Nations declared the 1990s as the Fourth United Nations Development Decade. The need for a fourth decade of development became apparent in the course of assessing the International Development Strategy for the 1980s. The 1980s Strategy became outdated by the unanticipated worsening of the international economic situation, which made many of its targets irrelevant. In the troubled world economy, short-term adjustment problems overshadowed longer-term perspectives, which were none the less essential. There was, therefore, a genuine need for a more long-term view in national and international undertakings. It was generally agreed that a strategy for the 1990s

must be flexible. It was thought that there might be a new emphasis on agreed indicators to keep track of overall progress and a monitoring mechanism to draw attention to disturbing developments. After a lengthy process of consultation and discussion among Governments, a broad consensus was reached late in 1990 on the International Development Strategy (IDS) for the Fourth United Nations Development Decade, which the General Assembly adopted in resolution 45/199. 5/

21. The IDS as finally adopted does not, in itself, contain quantitative targets or address statistical issues directly. It will therefore be essential for national and international statistical services to work closely with users to clarify and articulate the implications of the new IDS in terms of needed statistics and statistical capabilities. The text of the IDS does provide some guidance on the matter.

22. First of all, the IDS set out six interrelated goals. These are:

"(a) A surge in the pace of economic growth in the developing countries;

(b) A development process which is responsive to social needs, seeks a significant reduction in extreme poverty, promotes the development and utilization of human resources and skills and is environmentally sound and sustainable;

(c) An improvement of the international systems of money, finance and trade so as to support the development process;

(d) A setting of strength and stability in the world economy and sound macro-economic management, nationally and internationally;

(e) A decisive strengthening of international development co-operation;

(f) A special effort to deal with the problems of the least developed countries, the weakest among the developing countries." 6/

Several of these goals, and their more detailed elaboration in the body of the IDS, have implications for specific fields of statistics. Thus, the specific emphases placed in the IDS on goals and issues related to economic growth, responsiveness to social goals, the eradication of poverty and hunger, the environment, external debt, external development finance, international trade, commodity prices and earnings, science and technology, industrial policies and measures, agriculture, human resource and institutional development, population, and the special efforts needed to deal with problems of the least developed countries will all need to be examined to determine what adjustments in statistical operations and outputs are required.

23. Moreover, the stress the IDS places on "the importance of sound macro-economic management" 7/ is a good starting point for initiating a dialogue between users and producers of statistics on the role that sound and timely statistics can play in monitoring and assessing the Fourth Development Decade. Equally important, the IDS, while not setting out quantitative targets itself, draws attention to their relevance and importance. "Although the Strategy does not seek to establish

comprehensive and interrelated sectoral targets to be attained by the developing countries as a whole, many of its elements have been addressed in the various parts of the United Nations system. They cover such areas, among others, as employment and health, women and children, industry and technology, agriculture and food, population, education and culture, shelter and settlement, telecommunications, transportation, including shipping, and the environment. Sectoral strategies and plans for significant achievements have been agreed upon by Governments. Translated into goals and objectives for both national and international efforts, ambitious and feasible targets of this kind have proved valuable in focusing policies and in monitoring progress. They also serve as reminders of the progress that can be achieved within a decade with strong political commitment and dedicated efforts." 8/

24. With regard to the role of the United Nations system, the IDS notes that virtually every aspect of the Strategy falls within the areas of concern of the various parts of the United Nations system. In many such areas and sectors, goals and targets for the coming decade and the actions needed for realizing them have already been agreed upon by member States and are crucial to the implementation of the Strategy. The Strategy also provides guidelines for further work on the evolution of policies and programmes and on seeking agreements for new actions. Major conferences of the United Nations system are already scheduled for the initial years and there will be others in the period beyond. These will be important occasions for reaching agreements that give more specific content to the actions and commitments needed to realize the goals of the Strategy. One specific example of how the needs of the IDS are being transformed into statistical operations can be found in the initiative on monitoring the achievement of social goals in the 1990s, which is more fully discussed in two documents which are before the Commission. 9/ Similar attention will have to be given to other aspects of the IDS.

25. In the broad area of economic statistics, emphasis will need to be placed on the growth of the gross domestic product by sectors of economic activity and category of expenditure and consumer and producer prices, foreign trade, foreign trade prices, industrial production; balance of payments and external debt; employment and household income and expenditures - all fields in which national and international statistical offices are now working with varying degrees of intensity. Nevertheless, greater attention will have to be given to providing such data in terms of increased timeliness, quality and dissaggregation. Other traditional fields of statistics on agriculture and on population will also need to be maintained, while several fields of statistics which are relatively new for developing countries, such as environment and international trade in services, will need to be developed.

26. Some specific examples of additional issues can, even at this early stage, be identified. For example, as a result of the difficult fiscal adjustments which characterized the 1980s, the effective managment of public expenditure has become a key factor for the adoption of flexible economic policies which respond rapidly to such phenomena as, for example, the marked external imbalances. In the absence of an appropriate system of information concerning expenditure which has been planned, budgeted and effected, Governments may resort to ill-conceived budgetary actions. It is frequently observed that the links between a country's macro-economic policy

and its investment programme and between them and the budgetary process are fragile or non-existent - a drawback which makes the assessment of economic growth and human development highly difficult. The lack of timely and adequate production statistics is due to the failure to carry out periodic economic censuses and surveys and to the failure to carry out appropriate evaluative studies. In this regard, the proposals for and needs of the 1993 World Programme of Industrial Statistics 4/ should be given special attention. With reference to foreign trade, although some progress has been shown in customs systems, in many cases it has not been sufficient to guarantee a supply of specialized statistics dealing with the short term. This has meant that reports requiring such statistics are sometimes based on figures relating to export and import permits obtained from central banks or appropriate ministries, which often reflect transactions which differ enormously from those actually made.

27. The causes of these shortcomings are several: lack of managerial control and administrative support; inadequate resources; limitations in international support in terms of documentation, training and technical co-operation. In addition, a number of developing countries really lack an effective national statistical system. As a result, in those countries a number of governmental agencies undertake data collection and compilation programmes on their own account and in their own sphere of action. They publish data or estimates without any regard for results or estimates published by the national statistical office or others. Often these different sets of data are incompatible with one another. In addition to revealing a lack of co-ordination in national statistical work, this practice has the drawback of confusing users, discrediting statistics and wasting statistical resources.

28. If the data needs arising from the IDS and individual related sectoral strategies are to be met in a cost-effective manner, the role of national statistical offices in a number of developing countries will have to be strengthened and their programmes and efforts will need to receive adequate support. At the same time, national statistical offices will need to examine the content of their programmes and their management structures and practices with a view to improving the relevance of their outputs and the effectiveness of their operations. The statistical programmes of the international agencies may also need to be adjusted to respond to any new requirements of national statistical offices for methodological guidance and support and to provide the statistical outputs to monitor the IDS and related sectoral strategies.

29. Although some degree of adjustment and modification in statistical programmes will certainly be required to meet new needs, it is also true that many of the needs have been recognized for some time. For example, international initiatives and national work related to the System of National Accounts (E/CN.3/1991/5), international trade statistics (E/CN.3/1991/24), the International Comparison Programme (E/CN.3/1991/17), environment statistics (E/CN.3/1991/22 and E/CN.3/1991/23), service statistics (E/CN.3/1991/15 and E/CN.3/1991/16), demographic statistics (E/CN.3/1991/24 and E/CN.3/1991/19), and social statistics and indicators (E/CN.3/1991/24), in addition to the topics and documents already referred to above - all of which are also before the Commission - can be expected to contribute to meeting the statistical needs arising from the IDS.

## IV. POINTS FOR DISCUSSION

30. The Commission may wish to:

(a) Comment on the positive and negative impacts of structural adjustment policies and programmes and the debt situation on national statistical services, drawing on the information provided in the present document and the experience of individual members of the Commission, including the quality and timeliness of statistical outputs, the organization and staffing of national statistical offices and their methodological and operational capabilities and plans;

(b) Provide its initial views on the implications for statistics and statistical operations of the International Development Strategy of the Fourth United Nations Development Decade;

(c) Make reference to its discussion of this topic in connection with its discussion of several other relevant agenda items.

## Notes

1/ See the report of the Working Group on International Statistical Programmes and Co-ordination on its thirteenth session (E/CN.3/1991/2), para. 13.

2/ For example, World Economic Survey for 1990 and other years (United Nations publications); World Economic Outlook for 1990 and earlier years (Washington, D.C., International Monetary Fund); World Development Report for 1990 and other years (Washington, D.C., World Bank); "External debt crisis and development: note by the Secretary-General" (A/45/380); "The recent evolution of the international debt strategy" (A/45/656); World Bank, "Sub-Saharan Africa - from crisis to sustainable growth, 1989"; Economic Commission for Africa, "Economic report on Africa" for 1990 and other years; International Bank for Reconstruction and Development, "Report on adjustment lending, 1988"; World Bank, African Development Bank, and UNDP, "Social dimensions of adjustment: a policy agenda".

3/ "World Bank initiatives in the design of permanent integrated household surveys" (E/CN.3/1991/27).

4/ See "World Programme of Industrial Statistics" (E/CN.3/1991/18).

5/ "Development and international economic co-operation: International development strategy for the fourth United Nations development decade (1991-2000)" (A/45/849/Add.2), para. 14.

6/ Ibid., para. 14.

7/ Ibid., para. 22.

8/ Ibid., para. 18.

Notes (continued)

9/ "Progress made in the development of a co-ordinated data base for the United Nations system" (E/CN.3/1991/20) and "Progress in implementation and co-ordination of the National Household Survey Capability Programme" (E/CN.3/1991/26).

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